

Message Text

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ACTION L-03

INFO OCT-01 EUR-12 ISO-00 EB-07 TRSE-00 SCS-03 SCA-01

OMB-01 H-02 PM-04 NSC-05 SP-02 SS-15 INR-07 CIAE-00

DODE-00 USIA-06 /069 W

----- 043827

R 081417Z MAR 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 2697

INFO AMEMBASSY ATHENS

AMEMBASSY LONDON

AMEMBASSY NICOSIA

C O N F I D E N T I A L ANKARA 1801

E.O. 11652: GDS

TAGS: PFOR, CPRS, EIND, CY, TU

SUBJECT: CMC PROPERTY CLAIMS IN NORTHERN CYPRUS

REF STATE 52242

1. THE FOLLOWING INCLUDES COMMENTS ON VARIOUS POINTS
RAISED IN REFTEL AND OUR RECOMMENDATION ON BEST PROCEDURE
FOR MOVING AHEAD ON THIS VERY COMPLICATED PROBELM.

2. ECONOMIC/COMMERCIAL COUNSELOR AGAIN MET WITH RUHI
BERENT, GENERAL MANAGE OF POLAR (CMC REPRESENTATIVE IN ANKARA)
IN EFFORT TO GET FURTHER INFORMATION REGARDING POINTS
RAISED IN REFTEL. FYI E/COM COUNSELOR ALSO HAD OPPORTUNITY
TO READ CABLES IN POLAR'S FILES END FYI.

A. WE ARE UNABLE TO PROVIDE SPECIFIC DETAILS (BEHOND
THOSE ALREADY REPORTED) REGARDING AGREEMENT OR UNDERSTANDING
REACHED BETWEEN CMC AND AZOT IN SEPTEMBER 1974. A CABLE
DATED SEPT 17, 1974 FROM BAKEWELL CMC TO POLAR CONFIRMS
THAT AN AGREEMENT WAS REACHED FOR FURTHER ORE SHIPMENTS.
THIS WAS APPARENTLY ONLY A VERBAL UNDERSTANDING.

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B. CMC'S INSTRUCTIONS FROM NICOSIA TO POLAR IN

OCTOBER AND NOVEMBER 1974 CLEARLY CALLED FOR SUSPENSION OF FURTHER SHIPMENTS AND ADVISED THAT ALL SHIPMENTS AFTER OCT 4 WERE REGARDED AS TAKEN "UNDER DURESS". EMBASSY COMMENT: THESE INSTRUCTIONS FROM CMC WERE CLEAR ENOUGH. HOWEVER, WITHOUT KNOWING MORE ABOUT THE UNDERSTANDING IN SEPTEMBER, WE CANNOT AMPLIFY THE RELATIONSHIP BETWEEN THESE INSTRUCTIONS AND THAT UNDERSTANDING. SOURCES HERE POINT OUT THAT CMC'S CABLES FROM NICOSIA WERE UNDERSTOOD TO BE READY BY GREEK CYPRIOT AUTHORITIES IN NICOSIA AND THAT CMC OPERATIONS AND RELATIONSHIPS IN SOUTHERN PART OF CYPRUS WOULD BE IN JEOPARDY IF CMC WERE OPENLY EXCHANGING CABLES WITH TURKISH FIRM FOR SALE OF PYRITES LOCATED IN CYPRUS. IN NOVEMBER FOR EXAMPLE, CMC REPRESENTATIVE CABLED POLAR FROM NICOSIA THAT SHIPMENTS HAD BEEN TAKEN UNDER DURESS AND THAT ALL FURTHER COMMUNICATIONS SHOULD BE WITH MAMA (MINING AND METALLURGICAL ASSOCIATES - CMC'S LONDON REPRESENTATIVE).

C. UNTIL THERE IS AN OPPORTUNITY TO ASK AZOT MORE SPECIFICALLY WHY IT MADE PAYMENTS TO TURK CYPRIOT AUTHORITIES, WE CAN ONLY SUGGEST COMBINATION OF REASONS. AZOT HAD MADE VARIOUS OFFERS TO PAY CMC FOR PYRITES RECEIVED BUT LATTER WOULD NOT AGREE TO FURNISH DOCUMENTS NEEDED TO TRANSFER HARD CURRENCY FROM TURKEY OR TO AGREE TO FURTHER PURCHASES DESIRED BY AZOT. THEN TURKISH CYPRIOT AUTHORITIES CAME INTO PICTURE. AS REPORTED IN 75 ANKARA 9156 (NOTAL) LATTER ALLEGEDLY HAD "UNDERSTANDING" WITH CMC FOR SAFEGUARDING OF CMC STOCKPILES AND PROPERTY IN NORTHERN CYPRUS AND WAS WILLING TO SELL FURTHER STOCKS TO AVOID DETERIORATION. THIS OFFERED AZOT A CHANCE TO CLEAR ITS BOOKS BY SHIFTING OBLIGATION TO THE TURK CYPRIOTS TO WHOME PAYMENT WAS MADE IN TURKISH LIRA. WE DO NOT KNOW EXACTLY WHEN AZOT MADE PAYMENTS TO TURK CYPRIOT REPRESENTATIVES. POLAR OFFICIAL THINKS THIS WAS IN JUNE OR JULY 1975. HE THINKS GOT MAY HAVE PRESSED AZOT TO TURN MATTER OVER TO TURK CYPRIOTS IN ORDER TO ENHANCE POSITION OF LATTER. IT IS ALSO POSSIBLE THAT REPRESENTATIONS MADE TO TURKISH AUTHORITIES IN CYPRUS BY EMBASSY NICOSIA AND IN ANKARA BY THIS EMBASSY INDUCED GOT TO SEE THAT MONEY WAS PLACED IN ACCOUNT FOR EVENTUAL SETTLEMENT.

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D. POLAR REPRESENTATIVE SAYS HE DID NOT RPT NOT SPECIFICALLY INFORM CMC THAT FUNDS WERE DEPOSITED WITH TURK CYPRIOT AUTHORITIES AGAINST PYRITES SHIPMENTS THAT HAD TAKEN PLACE. HOWEVER, HE HAD NOTIFIED CMC IN JULY 1975 THAT MATTER WAS OUT OF HANDS OF AZOT AND SHOULD BE HANDLED DIRECTLY WITH TURK CYPRIOT AUTHORITIES. POLAR REPRESENTATIVE SAID THAT MAMA OF LONDON HAD UNTIL MID-1975 BEEN STRICTLY SPEAKING CMC'S AGENT AND THAT POLAR

CONNECTION TO CMC WAS THROUGH MAMA. AT ABOUT THAT TIME CMC ENDED ITS RELATIONSHIP WITH MAMA AND CONSEQUENTLY FOR SOME TIME ALSO WITH POLAR. THEREFORE THERE WAS A BREAK IN COMMUNICATIONS BETWEEN POLAR AND CMC SINCE MID-1975. WE DO NOT RPT NOT KNOW IF TURK-CYPRIOT AUTHORITIES (WHO CLAIM TO HAVE UNDERSTANDING WITH CMC AS MENTIONED ABOVE) EVER TOLD CMC OFFICIALS THAT FUNDS WERE BEING HELD IN THEIR ACCOUNT.

3. EMBASSY RECOMMENDATION: DEPARTMENT IS AWARE FROM EARLIER REPORTS AND ABOVE INFORMATION FURTHER CONFIRMS THIS IS A AVERY COMPLICATED PROBELM WHICH IN TURN HAS GROWN OUT OF VERY DIFFICULT POLITICAL SITUATION IN CYPRUS. CONSIDERABLE FURTHER EFFORT MAY BE REQUIRED BEFORE WE CAN GET BETTER UNDERSTANDING, IF AT ALL, OF HOW AND WHY CERTAIN THINGS HAPPENED OR WHETHER THERE WAS IN FACT "UNDERSTANDINGS" AS CLAIMED BETWEEN CMC AND AZOT AND CMC AND TURK-CYPRIOT AUTHORITIES. AT THIS POINT WE BELIEVE MOST USEFUL COURSE OF ACTION WOULD BE FOR CMC OFFICIAL TO HAVE DIRECT DISCUSSIONS WITH TURK-CYPRIOT AUTHORITIES IN CYPRUS AND WITH AZOT IN ANKARA WITH VIEW TO WORKING OUT SATISFACTORY RESOLUTION OF PROBLEM. (THESE DISCUSSIONS MIGHT ALSO INCLUDE MEDITERRANEAN FERTILIZER OFFICIALS IN MERSIN OR ANKARA WHICH WE UNDERSTAND RECEIVED SOME OF SUBSEQUENT SHIPMENTS OF PYRITES. HOWEVER, AS CMC APPARENTLY HAD NO CONTRACT WITH MEDITERRANEAN THEY MAY PREFER TO DISCUSS THIS ASPECT OF PROBLEM ONLY WITH THE TURK-CYPRIOT REPRESENTATIVES.) WE BELIEVE THAT DIRECT DISCUSSIONS WOULD HELP TO BRING CLARIFICATION AND TO ADVANCE THIS MATTER MORE RAPIDLY THAT PRESENT EXPLORATORY EFFORTS INVOLVING VARIOUS INTERMEDIARIES SUCH AS DEPARTMENT, EMBASSIES ANKARA AND NICOSIA, POLAR, TURKISH FOREIGN MINISTRY, ETC. POLAR OFFICIALS ARE WILLING TO

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MAKE EVERY EFFORT TO ASSIST IN REACHING AMICABLE SOLUTION OF PROBLEM INCLUDING PAYMENT FOR SHIPMENTS UNDER ORIGINAL CONTRACT AND ARRANGING DISPOSITION OF REMAINING STOCKPILE. THEY POINT OUT HOWEVER THAT POLAR HAD NO PART IN THOSE SHIPMENTS WHICH HAVE ALREADY TAKEN PLACE THAT WERE CLEARLY OUTSIDE OF QUANTITY THAT MIGHT BE IMPUTED TO CMC-AZOT CONTRACT I.E. ANY ADDITIONAL SHIPMENTS TO AZOT AND THOSE TO MEDITERRANEAN. POLAR IS WILLING TO HELP IN THIS ASPECT ALSO BUT HAS DOUBTS ABOUT ITS ROLE VIS-AVIS SUCH CLAIMS. WE KNOW OF NO RPT NO REASON WHY CMC OFFICIALS SHOULD BE EXPOSED TO LEGAL ACTION BY TURKISH AUTHORITIES IF THEY COME TO ANKARA. WE DO NOT THINK THEY WOULD RUN ANY SUCH RISKS WITH RESPECT TO TURK-CYPRIOT AUTHORITIES IF CMC OFFICIALS SHOULD HAVE DISCUSSIONS WITH THOSE AUTHORITIEIS AS GOT FOREIGN MINISTRY HAS RECOMMENDED. IT IS

POSSIBLE, OF COURSE, THAT CMC MIGHT BE EXPOSED TO SUCH RISKS WITH RESPECT TO GREEK-CYPRIOT AUTHORITIES IF LATTER SHOULD LEARN OF ANY CMC DISCUSSIONS WITH TURKISH OR TURK-CYPRIOTS AUTHORITIES. EMBASSY NICOSIA MAY BE ABLE TO COMMENT FURTHER ON THIS. POLAR GENERAL MANAGER LIKEWISE

DOES NOT BELIEVE CMC OFFICIALS WOULD RUN RISKS OF LEGAL ACTION BY TURKISH OR TURKISH-CYPRIOT AUTHORITIES IN SUCH CASE. HE LIKEWISE BELIEVES THAT CMC OFFICIALS SHOULD HAVE SUCH DIRECT CONTACTS AS SOON AS POSSIBLE AND HAS IN FACT IN HIS LETTER OF FEB 27 (ANKARA 1627) RECOMMENDED CONTACT BETWEEN CMC AND AUTHORITIES IN CYPRUS.
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